

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03 NSAE-00

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 ACDA-05

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INFO SECDEF WASHDC

CNO WASHDC

CINCLANT

COMICEDEFOR

USMISSION NATO

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

C O N F I D E N T I A L REYKJAVIK 0029

E.O. 11652: XGDS-1

TAGS: EFIS PFOR MARR IC UK NATO

SUBJECT: ICELAND/UK FISHERIES DISPUTE AND DEFENSE

1. SUMMARY: PROGRESSIVE PARTY CHAIRMAN/JUSTICE MINISTER JOHANNESSEN EXPRESSES PESSIMISM OVER "COD WAR"; FEELS SITUATION MIGHT DEVELOP WHICH COULD FORCE ICELAND TO WITHDRAW FROM NATO; AND FEELS CONTINGENCY PLANS SHOULD BE MADE FOR AN IDF IN ICELAND NOT UNDER AEGIS OF NATO. END SUMMARY.

2. DURING DINNER LAST NIGHT AT HOME OF MFA SECGEN THORSTEINSSON, JUSTICE-COMMERCE MINISTER OLAFUR JOHANNESSEN APPROACHED ME TO SAY THAT IN ABOUT TWO WEEKS HE WOULD LIKE TO HAVE A PRIVATE MEETING
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WITH ME TO DISCUSS THE "COD WAR" AND ITS IMPACT ON USG-ICELAND

DEFENSE RELATIONS. HE STATED THAT THE PRO-IDF, PRO-NATO MEMBERS OF HIS PROGRESSIVE PARTY WHO SUPPORTED THE IDF DURING HIS LEFT-GOVT LEADERSHIP (1971-74), AND WHOSE SUPPORT USG NEEDED AT THAT TIME FOR IDF RETENTION ARE NOW TURNING AGAINST NATO. YOUNGER PEOPLE IN HIS PARTY AND IN THE INDEPENDENCE PARTY ARE CALLING FOR ICELAND'S WITHDRAWAL FROM NATO. BOTH HE AND PRIMEMIN GEIR HALLGRIMSSON ARE COMING UNDER INCREASING CRITICISM FROM THE GENERAL PUBLIC FOR NOT UTILIZING THE "POWERFUL WEAPON" ICELAND HAS TO "COMBAT THE BRITISH AGGRESSION IN ICELAND'S ECONOMIC ZONE" (I.E., THREAT TO WITHDRAW FROM NATO MEMBERSHIP). JOHANNESSEN WENT ON TO SAY THAT PUZZLING TO PRO-NATO ICELANDERS IS THE "CAVALIER" ATTITUDE OF THE BRITISH TOWARD AN ICELANDIC GOVT THAT IS AS PRO-NATO AS ONE CAN GET IN ICELAND. HE SAID THAT HIS GREATEST FEAR IS A SERIOUS ACCIDENT AT SEA BECAUSE OF BRITISH "RECKLESS AND IRRESPONSIBLE" SEAMANSHIP. HE SAID BRITISH SEEM TO BE ATTEMPTING TO DISABLE ICELAND'S COAST GUARD SHIPS. SHOULD BRITISH SINK ONE OR INJURE AN ICELANDIC SAILOR, HE DOUBTED THE PRESENT GOVT COULD WITHSTAND PUBLIC PRESSURE TO BREAK DIPLOMATIC RELATIONS WITH UK AND WITHDRAW FROM NATO MEMBERSHIP. ALTHOUGH EMPHASIZING THAT HE AND PRIMEMIN ARE STAUNCHLY RESISTING ACTIONS AGAINST NATO OR ANY OF ITS MEMBERS, HE SAID HE NEVERTHELESS FEELS THAT SOME CONTINGENCY PLANNING SHOULD BE UNDERTAKEN TO PRESERVE IDF IN ICELAND SHOULD GOI BE FORCED TO WITHDRAW FROM NATO. HE SAID THIS IS WHAT HE WANTS TO DISCUSS WITH ME BUT NEEDS A COUPLE OF WEEKS MORE TO COLLECT HIS THOUGHTS.

3. OUR ENSUING CONVERSATION WAS A REPEAT OF 2 1/2 YEARS AGO WHEN I WAS TRYING TO CINVINCE THE THEN PRIME MIN OLAFUR JOHANNESSEN THAT THE FISHERIES DISPUTE AND THE DEFENSE ISSUE WERE UNRELATED AND SHOULD BE KEPT SO FOR THE BENEFIT OF ICELAND AS WELL AS THE NATO ALLIANCE. I REMARKED, HOWEVER, THAT ONE DIFFERENCE BETWEEN NOW AND THEN IS THE GENERAL SUPPORT I DETECTED IN HIS STATEMENT AND WITHIN HIS PARTY FOR DISASSOCIATING THE CURRENT "COD WAR" FROM THE QUESTION OF IDF RETENTION. WHILE STATING THIS WAS A GOOD SIGN I STILL FELT ICELAND NEEDED NATO AND THAT IT WAS UNREALISTIC TO TRY TO SPLIT NATO AND IDF AS BEING UNRELATED FOR THE DEFENSE OF ICELAND. JOHANNESSEN ADMITTED THERE WAS GREATER IDF SUPPORT IN HIS PROGRESSIVE PARTY NOW THAN TWO YEARS AGO BUT ATTRIBUTED THE PRESENT SUPPORT LARGELY TO THE CONSTRUCTION PROGRAM AND CIVILIANIZATION PROVISIONS OF THE USG-GOI DEFENSE MOU SIGNED OCTOBER 1974. HE

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SAID ICELANDERS SEE UNEMPLOYMENT AHEAD OF THEM, PARTICULARLY IN THE CONSTRUCTION INDUSTRY, AND ARE LOOKING TO THE IDF TO ABSORB WHATEVER UNEMPLOYEMTN DEVELOPS. HE WAS PLEASED TO LEARN OF THE FUNDS BEING BUDGETED FOR FY 1977 FOR THE COMPLETION OF THE IDF HOUSING PROGRAM AND FOR THE AIR CONTROL TOWER. I AGREED TO BE AVAILABLE TO MEET WITH HIM LATER AT HIS CONVENIENCE.

4. COMMENT: I WOULD NOT BE SURPRISED IF JOHANNESSEN'S SCHEME FOR

RETAINING IDF WHILE WITHDRAWING MEMBERSHIP FROM NATO IS THE SAME
HE HAS MENTIONED TO ME SEVERAL TIMES BEFORE, NAMELY A BILATERAL
U.S.-ICELAND DEFENSE AGREEMENT WITH PROVISIONS REQUIRING USG TO
ASSIST ICELAND WHENEVER "AGGRESSION AGAINST ICELAND FROM ANY
SOURCE" OCCURS. I DOUBT HE WILL GET FAR WITH SUCH A PROPOSAL
WITHIN THE CABINET. ANY COMMENT OR GUIDANCE THE DEPT CARES TO
TRANSMIT TO ME FOR USE WITH JOHANNESSON IN OUR PENDING DISCUSSION
WOULD, OF COURSE, BE APPRECIATED. BEFORE ANY STEPS ARE TAKEN TO
WITHDRAW FROM NATO WE CAN EXPECT BREAKING OF RELATIONS WITH THE
UK. THIS LATTER POSSIBILITY MAY NOT BE TOO FAR OFF. EMOTIONS ARE
AGAIN RUNNING HIGH HERE AS RESULT OF MOST RECENT COLLISIONS
BETWEEN UK FRIGATES AND ICELAND'S GUNBOATS.
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